

***Competitive Financial Markets – Launching Debt Instruments  
Development of Secondary Mortgage Markets in Southeast Europe***

**Final Report**

October 2003

Submitted by Chemonics International and The Urban Institute

Contract OUT-PCE-I-08-99-00007-00, Task Order #814

*Start Date: September 30, 2002*

*Completion Date: July 15, 2003; extended to October 14, 2003*

*Amount of Task Order: \$309,830 (\$298,948 obligated)*

**HIGHLIGHTS OF ACHIEVEMENTS OF THE TASK ORDER**

**Summary of the Accomplishments, Follow-on Projects, and Donor Coordination**

Since startup of this task order in September 2002, USAID and the project team have been acting as catalysts in pulling together groups key to SEE mortgage market development to promote harmonization and standardization of mortgage markets in SEE. This project made significant progress toward that goal and has led to several follow-on activities as well as coordination among donors for related and supportive endeavors. The highlights include the following:

**Major Activities under this Project:**

- Assessment of the Mortgage Markets in Croatia, Romania, and Bulgaria
- Major conference: Developing Secondary Mortgage Markets in Southeast Europe," Sofia, February 4—5, 2003
- Formation of the Southeast Europe Mortgage Finance Network (SEEMFN) and SEE Mortgage Finance Working Group
- First meeting of the Working Group: Sofia, May 2003
- Development of the SEE/CEE Mortgage Finance website:  
[www.ceemortgagefinance.org](http://www.ceemortgagefinance.org)

**Donor Coordination with this Project**

- Major donors members of the Working Group include EBRD, IFC, and World Bank
- Liaison with EBRD Mortgage Manual Project for SEE
- Liaison with IFC Mortgage Market Assessments in SEE

**Description of Project Activities:**

**Mortgage Market Assessments.** In accordance with the work plan for this project, country assessments of the mortgage markets in Bulgaria, Croatia, and Romania were completed in the fall of 2002 in order to determine the environment for the development of secondary mortgage markets. The Assessments were conducted using a template defining primary and secondary market financial and legal frameworks.

**SEE Mortgage Finance Conference.** The conference -- "Developing Secondary Mortgage Markets in Southeast Europe" - was held in Sofia on February 4-5, 2003. With approximately 200 participants and numerous speakers, the conference brought together the key actors in SEE involved in housing finance (e.g. banks, investors and other potential

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secondary market participants (e.g., pension funds), appraisers, regulators, and other key public sector players) and private U.S. and European financial and other institutions involved in mortgage lending and securitization, and international financial institutions). Additional details on these and other project achievements are discussed below.

**Website.** The project team has prepared a website to feature Conference materials, the Assessments, and other information relevant to development of mortgage markets in SEE and in the broader CEE (Central and Eastern European) region. *Please note that the development of this website is not explicitly called forth in the Task Order.* However, a website was deemed the best way to feature both the Conference results and to keep the Working Group apprised of next steps. Please refer to the website at [www.ceemortgagefinance.org](http://www.ceemortgagefinance.org).

**SEE Mortgage Finance Working Group.** UI, USAID, and IME (the Institute for Market Economics, Sofia) have formed a Working Group for Mortgage Finance in SEE, comprised of approximately 25 - 30 representatives from the SEE countries and key donors (EBRD, IFC, World Bank,) The first Working Group meeting took place on May 7, 2003, in Sofia. The meeting has helped determine the highest priority next steps in the process of developing the primary and secondary mortgage markets in the region and in the individual countries.

**Project Extension.** Please note that a no-cost extension was granted for this project until October 14, 2003.

## SPECIFIC ACTIVITIES

The following benchmarks described in the Project's work plan have been completed:

- 1. Country Assessments.** Assessment interviews and data analyses were completed in October 2002 in Croatia, Romania, and Bulgaria. The Assessments were carried out by Sally Merrill and Carol Rabenhorst of the Urban Institute (UI), and Paul Sacks, consultant to UI. Local experts were contracted in all three countries. Drafts of all three Assessments are now completed and are in review by the authors and by USAID.
- 2. Assessment Template.** A "template" or "road map" was prepared prior to undertaking the Assessments, and approved by USAID as the outline for the Assessments. This also will serve as input to the "model action plan."
- 3. Conference Location.** Sofia was the venue for the conference "Developing Secondary Mortgage Markets in Southeast Europe." The Institute for Market Economics in Sofia was contracted to undertake the conference logistics locally. The Sheraton Hotel was chosen for the conference,
- 4. Agenda and Speaker Selection.** Basic decisions were taken on the structure of the agenda during October and November, 2002 by the project team and USAID. A panel approach to speakers was adopted for most of the conference. This was done for two main reasons: (1) there were many topics to be covered and many countries to be represented and (2) we wanted a "speaker framework" in which to foster lively debate.

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5. **Workshop on the Agenda and Conference Participants.** The participant lists were drawn up in November. Inputs were made by the project team, by USAID, and by other U.S. and SEE experts. The lists were constantly updated as to RSVP status. Numerous meetings were held between USAID and the project team with regard to both the agenda and the participant list.
6. **Conference Invitations and Conference Brochure.** Participants received 3 sequential invitations: an e-mail invitation, a Conference Brochure via mail, and another e-mail invitation with additional specific information on hotels and registration. Following the sending of the first invitations in November and early December, we prepared a formal Conference Brochure and mailed packages of these brochures (including registration forms) to our consultants in Bulgaria, Romania, and Croatia for delivery in SEE to participants and speakers. The project team sent the others from Stateside. Also, we were advised by IME, our Bulgarian conference management team, to follow up our early December invitations with a second round in January, as many persons in SEE take extensive Christmas leave time and might need to be reminded (or informed for the first time if they were gone early in December).
7. **Conference Participation.** Interest in the conference was very strong, and the list of suggested participants became more extensive than initially planned. Having planned for a conference of about 100 - 125 persons, the invitations list grew to over 250. The Bulgarian and Romanian contingents were very large. Counting speakers, USAID, project team Conference Managers, and IME personnel, attendance was well over 200 persons. In addition, the vast majority stayed until the very end of the conference.
8. **SEE Working Group.** The project team, USAID, and IME formed a SEE Working Group and preparing an agenda. The Working Group met for one day, May 7, 2003, in Sofia to develop plans for follow-on activities. About 25 people participated, including lenders, officials of central banks, policy makers, and donors. Representation from Bulgaria and Romania was particularly strong.
9. **Website and Conference Materials.** The project team prepared a website to feature the SEE Conference and other related activities. The URL for the website is [www.ceemortgagefinance.org](http://www.ceemortgagefinance.org). Content includes the conference agenda, participant list, speaker list, and speaker presentations. The Assessment Reports are included as well as other relevant reports concerning SEE countries. The website incorporates a website previously prepared by UI – [www.polandhousingfinance.org](http://www.polandhousingfinance.org) – that describes the Poland Housing Finance Project, carried out by UI and supported by USAID. Finally, the website provides links to relevant conferences and other sites and events.

**FINAL FINANCIAL UPDATE:**

Authorized Expenditures: \$ 298,948  
Invoiced as of October 31, 2003: \$298,116.43  
Balance: \$831.57  
Completion Date: 10/14/03